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ABSTRACT

After tracing the historical development of its present school finance system, the author considers Minnesota's school finance court cases and the finance disparities among its local school districts that led the 1971 legislature to increase State aid given to local school districts for maintenance expenditures. The document reviews the establishment of the school finance task force which was set up to assess the impact of the 1971 revenue bill on the public schools and to make recommendations for revisions in State aid formulas. It considers in detail the organization of the task force, its method of data collection and analysis, surveys and studies conducted by the task force, and an assessment of the adequacy of the task force study. The document concludes by reviewing changes in school financing made by the 1973 Minnesota legislative session. A glossary of school finance terms is also included. (Author/DN)

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# A CRITIQUE:

# THE MINNESOTA SCHOOL FINANCE STUDY

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[1973]

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## INTRODUCTION

". . . it shall be the duty of the legislature to establish a general and uniform system of public schools."[1]

In keeping with this responsibility, the Minnesota Legislature established school districts on the local level, developed a system for assuring financial support and provided for state supervision and leadership. From the beginning, the state has shared in financial support for the educational program. This assistance has assumed a number of different forms which have ranged from very restrictive categorical funding to broad general aid. Pervading the distribution process have been the questions of level of state financial obligation and of the necessity to equalize revenue and expenditures among school districts.

Minnesotans pride themselves on being industrious, hard-working, and supportive of the public education system. But as educational costs escalated, many communities became hard pressed to produce the financial resources necessary for their schools. Variations in per pupil expenditures among school districts have widened and inequities in fiscal effort have become more severe. The seeds of taxpayer revolt have been sown and the cry for accountability and a curb on spending have become more acute. Reform in school revenue and expenditure patterns are clearly demanded by a no longer tolerant public.

## PATTERNS OF SCHOOL FINANCE IN MINNESOTA

In the early history of the Minnesota educational system, state financial aid was distributed to school districts on a per pupil basis. The first such

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[1] Article VIII, Section 1 of the Constitution of the State of Minnesota.

distribution, amounting to a munificent sum of 23 cents per pupil, was made in 1863. Numerous changes were made in the early distribution formulas, most notable among which were a school classification aid in 1878, a special department aid in 1909, and a supplemental aid in 1915 (the initial attempt to equalize). Throughout this period, categorical aids became increasingly prominent until 1940 when 40 such special aids had been prescribed by law.

The 1940's and early 1950's were a period of some change and intense study of the Minnesota school aid formulas. In 1947, the legislature replaced several of the special aids with a basic aid but it retained several other of the other program aids. In 1957, the legislature made a historic departure from the proliferation which had evolved by enacting a "foundation aid" program. The foundation aid concept was founded on the principles that (1) every child was entitled to equal opportunity to a minimum educational program and (2) the local share of financial support for this program should be adjusted to reflect tax paying ability.

The initial formula under this program provided a set dollar amount per pupil unit less the amount raised by a specific number of mills on adjusted assessed valuation of property. The formula also permitted some grandfathering by assuring that no school district would receive less than a fixed amount per pupil unit plus $10 per census child. The first portion of the formula, labeled "A", was an effort at equalizing but the "B" portion represented a disequalizing feature by assuring state aid to even the wealthiest school districts. A brief historical synopsis of this aid program is contained in Table 1.

Unfortunately, the equalizing principles did not sustain. Rapidly escalating educational costs required major increases in state foundation aids. While

TABLE 1

MINNESOTA FOUNDATION AID PROGRAM AND MAINTENANCE EXPENDITURE
FOR SCHOOL YEARS 1957-58 THROUGH 1970-71

| | State Foundation Aid Program | | | | | |
|---|---|---|---|---|---|---|
| | FORMULA A | | FORMULA B | | | |
| School Year | Base Figure | Deducted Mills* | Base Figure | | Mean Maintenance Cost | State range in Maintenance Costs |
| 1957-58 | $240 | 16.5 | $85 | +$10 per census child | $266 | $192 - $652 |
| 1958-59 | $240 | 16.5 | $85 | +$10 " " " | $279 | $207 - $542 |
| 1959-60 | $270 | 19.9 | $87 | +$10 " " " | $297 | $210 - $563 |
| 1960-61 | $270 | 19.0 | $87 | +$10 " " " | $312 | $226 - $547 |
| 1961-62 | $275 | 18.5 | $90 | +$10 " " " | $330 | $246 - $588 |
| 1962-63 | $285 | 19.0 | $90 | +$10 " " " | $348 | $234 - $628 |
| 1963-64 | $309 | 19.0 | $95 | +$10 " " " | $359 | $229 - $639 |
| 1964-65 | $315 | 19.0 | $95 | +$10 " " " | $378 | $287 - $633 |
| 1965-66 | $321 | 19.0 | $97 | +$10 " " " | $402 | $287 - $837 |
| 1966-67 | $324 | 19.0 | $98 | +$10 " " " | $429 | $278 - $763 |
| 1967-68 | $345 | 19.9 | $124 | (including Census Aid) | $451 | $300 - $747 |
| 1968-69 | $355 | 19.0 | $127 | (including Census Aid) | $506 | $321 - $942 |
| 1969-70 | $365 | 19.0 | $133 | (including Census Aid) | $584 | $370 - $903 |
| 1970-71 | $404 | 20.0 | $141 | (including Census Aid) | $664 | $280 -$1072 |

* DARC Mills

NOTE: Maintenance costs for school years 1965-66 through 1970-71 do not include federal funds.

these aid increases did come, they did not keep pace with quickly rising levels of school expenditure. The range of maintenance costs, as shown in Table 1, indicate that school expenditure outstripped aids received.

Table 2 depicts five representative Minnesota school districts and relates maintenance costs (excluding capital outlay and debt redemption) to aid received. Federally funded expenditures and aids are omitted.

Data in Table 2 are limited in scope but are representative of what happened throughout the state. In a 12-year span, maintenance costs in these five districts escalated by an average of $450 or about 134 percent. Meanwhile, state aids for these districts averaged a growth of $191 or about 144 percent. Despite the comparable percentage growth, actual state foundation aids failed to keep pace with cost increases. The discrepancy between expenditures and state aids grew and an ever increasing financial burden fell upon local school districts and the property tax.

## MINNESOTA SCHOOL FINANCE COURT CASES

The State of Minnesota was second only to California in being the defendent in a taxpayers suit concerning the funding of public education. While the most famous case in Minnesota is Donald Van Dusartz et. al. versus Roland Hatfield et. al. two other cases were filed also dealing with school financial support. These were filed by the Minnesota Federation of Teachers et. al. versus Roland F. Hatfield et. al. and the Minnesota Real Estate Taxpayers Association et. al. versus the State of Minnesota et. al.

The Van Dusartz case closely paralleled the Serrano case of California by alleging that the system for financing public education in Minnesota failed

TABLE 2

COMPARISON BETWEEN MAINTENANCE EXPENDITURES PER PUPIL UNIT AND AIDS
FOR FIVE SELECTED MINNESOTA SCHOOL DISTRICTS

| | "A"[1] | | | "B"[2] | | | "C"[3] | | | "D"[4] | | | "E"[5] | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| l Unit | 1957-1958 | 1963-1964 | 1971-1972 | 1957-1958 | 1963-1964 | 1971-1972 | 1957-1958 | 1963-1964 | 1971-1972 | 1957-1958 | 1963-1964 | 1971-1972 | 1957-1958 | 1963-1964 | 1971-1972 |
| tion | $ 6,542 | $ 6,241 | $ 7.670 | $ 4,354 | $ 5,190 | $ 7,611 | $ 24,826 | $ 20,579 | $ 8,531 | $ 13,192 | $ 16,553 | $ 17,998 | $ 3,974 | $ 4,576 | $ 10,213 |
| nce | 192 | 315 | 592 | 266 | 352 | 655 | 652 | 536 | 990 | 330 | 425 | 860 | 244 | 380 | 837 |
| d | 132 | 197 | 374 | 168 | 206 | 379 | 93 | 98 | 350 | 95 | 100 | 215 | 174 | 219 | 298 |
| rt | $ 60 | $ 118 | $ 218 | $ 98 | $ 146 | $ 276 | $ 559 | $ 488 | $ 640 | $ 235 | $ 325 | $ 545 | $ 70 | $ 161 | $ 539 |
| Local rt | 31.3 | 37.5 | 27.2 | 27.1 | 41.5 | 42.1 | 85.7 | 83.3 | 64.6 | 71.2 | 76.5 | 63.4 | 28.7 | 42.4 | 64.4 |

spending school district in 1957-58 (rural)
ian spending school district in 1957-58 (rural)
spending school district in 1957-58 (rural)
ge city
t growing suburban school district in 1957-58

to meet the minimum requirements of the equal protection clause of the United States Constitution in that, it makes the quality of education a function of the wealth of the children's parents and neighbors. This case further alleged that the quality of education was a function of the geographical accident of the per pupil assessed valuation of a school district and failed to take into account the variety of educational needs of school children.

The plaintiffs asked the court to declare the State financial system void as being repugnant to the equal protection clause of the 14th amendment of the U.S. Constitution, and requested the court to retain jurisdiction affording defendants and the Legislature a reasonable time to restructure the financial scheme so as to assure that the quality of public education will no longer be a function of the wealth of the school districts.

In September of 1971, the defendents moved to have the complaint dismissed and on October 12, in a rather famous decision, Judge Miles Lord denied the defendent plea and retained his jurisdiction over the case until such time as the Legislature should complete its action. In December of 1971, the plaintiffs dismissed their lawsuit without prejudice because they believed that the 1971 Minnesota Legislature had more closely met the Constitutional standard of fiscal neutrality than had been the previous case.

The Minnesota Federation of Teachers case closely paralleled that of the Van Dusartz case. In it, plaintiffs alleged that the scheme of taxation for school financing in the state of Minnesota enabled some school districts to spend substantially more money per pupil while levying substantial lower taxes than other school districts. Upon action by the defendent this case was consolidated with the Van Dusartz case and ultimately was dismissed following action of the 1971 Minnesota Legislature.

The third case brought by the Minnesota Real Estate Taxpayer's Association deviated slightly from the previous two. Plaintiffs alleged that the equal protection clause of the U.S. Constitution and the fundamental law of the State of Minnesota required the state to provide equal education to all children and to impose a substantially uniform burden upon all taxpayers.

While reiterating many of the educational failures cited in the previous two cases, this third case also made note of the fact that the educational system fails to take into account the variety of educational needs of the school districts in the State; that it fails to provide children of substantially equal age, aptitude, motivation and ability with substantially equal resources; and that it perpetuates marked differences in the quality of services, equipment, and other facilities which exist among the public school districts. This case too was merged with the Van Dusartz and the Minnesota Federation of Teachers cases, but it was not formally dismissed until the Spring of 1972.

While educators throughout the State of Minnesota have, for years, been concerned with the financing of public education, it is the action of court tests in California, Texas, Minnesota and other states which have brought significant action. In recognition of the justice contained in several of these complaints, the Minnesota State Board of Education has established the Finance Task Force.

## CURRENT SCHOOL FINANCE

In 1971, the Minnesota Legislature substantially turned around the heavy reliance upon local property taxes. The 1971-72 school year was designated

a transition period and foundation aid was increased to $600 per pupil unit less an amount equal to a 30 mill levy on adjusted assessed valuation of property. For the 1972-73 school year, foundation aid was increased to $750 per pupil unit less an amount equal to the levy of 30 mills on the adjusted assessed valuation of property.

Simultaneous with this increase in state financial support, school districts were limited in the amount by which they could cause to be levied a tax on property. The ceiling was calculated for each school district by a formula to a maximum of 30 adjusted assessed valuation mills. This limit could only be exceeded upon approval by public referendum and then by a maximum of 1.5 mills. The new law continued to permit a separate tax levy for capital outlay and bonded debt redemption.

This legislation was intended to substantially increase the level of state financial support for the public schools but to put an overall limit on spending. On the average, state foundation aids are expected to support 65-70 percent of maintenance expenditures in the 1972-73 school year as opposed to 43 percent during the 1970-71 school year.

Because 1971-72 was a transitional year between the old and new formulas, it is somewhat improper to assess the new state financial posture upon school districts. These data were used in Table 2, however, because 1972-73 school year reports were not available at the time of this writing.

## INITIATING THE MINNESOTA SCHOOL FINANCE STUDY

The 1971 Minnesota Legislature enacted a historic piece of legislation which impacted upon much of the operation of state government and perhaps most significantly upon financial support for the state's public schools. In one stroke, state financing of maintenance costs for elementary and secondary education was increased from approximately 43 percent to an estimated 65-70 percent of the total of maintenance expenditures of all school districts in the state. While the average may approach 70 percent it is significant to note that state financial support for these costs in individual school districts is estimated to range between 30 and 100 percent dependent upon selected district characteristics.

While cognizant of this new legislation, the question must still be asked, "Is the new finance formula adequate?". A very large variance in expenditures per pupil unit currently exists among school districts of the state. Does this expenditure variation impinge upon the educational opportunity available to children? Does the relative real property wealth of a community determine the level of expenditure? Does this variance in level govern program quality? With the advent of taxpayer revolt, and the initiation of many court cases throughout the nation, including those in Minnesota, these questions become fundamental and critical.

## ESTABLISHMENT OF A SCHOOL FINANCE TASK FORCE

The Commissioner and the State Board of Education expressed concern for the financing of public elementary and secondary education in Minnesota. In January of 1972, the State Board of Education initiated a study and authorized establishment of a School Finance Task Force. To assure the input from a wide

range of individuals and institutions, 30 persons were requested to become members of this Task Force. Membership included leaders from both the House of Representatives and the Senate from the State Legislature; representatives of the Governor's office; representation from each of seven major statewide educational organizations; members of school boards from both large and small communities; and representatives of special education, vocational education, business and industry, and the University of Minnesota. By its very nature, the Task Force was concerned with special interests and special facets of education and of government as well as with the overall operation and financing of public schools.

This group was to study all aspects of finance as it relates to the public schools in this state. The charge to this body was general but focused upon two elements: 1) an assessment of the impact of the 1971 revenue bill upon the public schools, and 2) recommendations for revisions in state aid formulas. In establishing the Finance Task Force, the State Board of Education prevailed upon the Department of Education to provide whatever information, materials and resources were necessary to the Task Force.

The Task Force was first authorized in January of 1972, but due to necessary delay in appointment of appropriate persons, did not initially meet until March 30, 1972. Since the next legislative session was to commence beginning January 2, 1973, the most obvious constraint upon the Finance Task Force was that of time. From the beginning it was felt that the Task Force would be limited in its scope and capability as far as assisting the 1973 State Legislature. Rather it was hoped that the Task Force might bring to the fore, some of the major issues confronting educational finance in Minnesota as it exists today. It is further hoped that, through continual study,

the Task Force might aid in future sessions of the legislature in developing school aid formulas.

At its initial meeting, the Task Force determined that it could not effectively operate as a full body of 30 persons examining each and every vital element concerning education. The Task Force, therefore, determined that it should divide itself into three separate committees. These committees would concentrate upon the details of educational finance, the educational program, and the organizational array most appropriate for delivering education in Minnesota.

Each of the three committees was to elect a chairman. These chairmen, along with the overall Task Force chairman, became the Executive Committee. Thus the Executive Committee was composed of Dr. Van Mueller, Task Force Chairman and Professor at the University of Minnesota; Dr. Lloyd Nielsen, Chairman of Finance Committee and superintendent of schools in Roseville; Mr. Robert Bonine, Chairman of the Program Committee and school board member from West St. Paul; and Mr. Richard Bragg, Chairman of the Organization Committee and a representative of the Minnesota Association of Commerce and Industry.

The Executive Committee met periodically throughout the course of the study to correlate information being derived by the individual committees, to establish the agenda for discussion at the meetings of the Task Force, and to assign responsibilities to the Department working group that aided the Task Force.

Each of the committees in the areas of finance, program and organization met independently to discuss specific concerns. Reportage from these meetings

was presented to the entire Task Force at its regular meeting. Suggestions and recommendations from the committees were also presented and frequently formed the basis for the final Task Force recommendations.

The Task Force itself met on a monthly basis usually for a one full day duration. The two exceptions to this were the June meeting which occupied two full days and an evening session and November when no meeting was held. Two separate meetings were conducted in the month of December as the recommendations of the Task Force began to finalize. Thus in the interval of nine months the Task Force met as a body at least nine times, the individual committees met numerous times as was necessary, and the Executive Committee met approximately twice per month.

## DEPARTMENT OF EDUCATION STAFF AND OTHER AGENCIES

Prior to initiation of the School Finance Task Force, the Commissioner of Education established a working committee within the Department of Education. This committee was to be representative of all divisions within the Department and was established to provide the expertise and basic information that would be required by the Task Force. The Planning Section of the Division of Planning and Development was assigned responsibility for coordinating the Department committee and for actually producing the final Task Force report. This group met several times as an independent committee to clarify problem areas as they arose and to secure the information required of the Task Force. The Department committee met with the Finance Task Force at its monthly meetings and individual members of the committee met with the Task Force committees as appropriate. The Chairman of the Department committee served as an ad hoc member of the Task Force Executive Committee.

As with any major study of this kind the involvement of other agencies and units within State Government was very critical. Considerable amounts of information were gathered from the Department of Taxation, from the Department of Public Welfare and from the interim committees of the Senate and the House of Representatives in the State Legislature. Information was utilized from the Metropolitan Citizens League, from the Metropolitan Council, and data were utilized from the University of Minnesota. While a member of the State Planning Agency was represented on the Task Force itself, several other members of the agency were in attendance at our meetings and contributed by presenting information as available in that particular office.

The House and Senate Education Committees of the Legislature were conducting an in-depth study of school finance concurrent with the study being supported by the State Department of Education. The report to be delivered by the independent contractor - the Urban Institute - was to be very statistical in nature and to be descriptive in detail of state school finance. Several members of the Department of Education who were working on the finance study were simultaneously assisting with the study being performed by the Urban Institute. The Finance Task Force had, therefore, access to additional statistical information upon which to base several of its findings.

Because the Urban Institute study was to be very statistically oriented, the Finance Task Force determined that it would not include a great wealth of statistics in its final report. Unfortunately, the Urban Institute report was somewhat delayed and was not presented to the Legislature until April of 1973---or approximately 3 months after the Finance Task Force Report was presented to the State Board of Education. Nevertheless, the basic financial data made available for the preparation of the Urban Institute Report was of value to the Finance Task Force. Thus, the Finance Task Force Report

represented a broad-based study involving participation from many groups in the form of membership on the committee and also involving participation from a number of different agencies and groups from throughout the state.

## ISSUES AND PROCEDURES FOR THE SCHOOL FINANCE STUDY

Following organization of the School Finance Task Force, the first critical task became the identification and delineation of issues and procedures to be pursued.

### ISSUES CONFRONTING THE TASK FORCE

As previously noted in establishing the Finance Task Force, the State Board of Education levied only two major charges: 1) an assessment of the current revenue bill and 2) recommendations for change. The Task Force itself felt that more comprehensive criteria were required before any state school finance plan could be properly evaluated. After considerable discussion, it adopted the criteria as set forth by the National Educational Finance Project. These are: 1) the educational objectives, 2) the scope, content and quality of the program to accomplish the objectives, 3) the organizational arrangements for providing public schooling, 4) the level of financing that is required to provide the program desired, 5) the extent to which educational opportunity within the state will be equalized, and 6) the degree of progressivity and regressivity of the tax structure used to finance the school.[2]

In establishing the study framework, the Task Force identified two fundamental criteria of state policy: 1) to equalize educational opportunity for students, 2) to provide an equitable tax system for financing the public schools. In dealing with these global criteria public policy issues center about three general areas: 1) the scope, content and quality of the public

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[2] Alternative Programs for Financing Education. National Educational Finance Project, Volume 5, 1971, p. 232.

school program, 2) the organizational arrangement for providing public schooling, and 3) the level and method of financing public schools.[3] These issues were of great concern to the Task Force and became the basis for dividing the larger body into the three committees.

The Program Committee attempted to make some determination of what constitutes a truly quality educational program. It relied upon previous studies that had been performed in Minnesota to identify the components of a basic quality educational program. A small sample of districts was surveyed to determine similarities and differentials in educational programs. Finally, it reviewed activities of the Minnesota Educational Assessment Program and concurred that a major effort would be required before a true determination can be made of the status of education in this state.

The Organization Committee was concerned with the number of school districts as they exist in Minnesota, the size of these districts and their capability to provide a truly comprehensive educational program. They examined the criteria for the development of sound school districts and the reasons for creating larger school districts. They examined the numerous examples of cooperative programs which currently exist among school districts in such areas as curriculum development, information systems, audio-visual media, research and development, individualized instruction, special education, and vocational education. The previously formulated concept of a statewide system of intermediate units, the Minnesota Educational Service Area, was discussed in depth.

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[3] Alternative Programs for Financing Education. National Educational Finance Project, Volume 5, 1971, p. 232.

The Finance Committee was concerned with financing public education and with the sources from which the finances accrue. They examined the varying types of financial aid which currently exist, including the basic foundation aid program, categorical reimbursements such as those for special education, vocational education, AFDC, transportation and numerous other smaller programs. They were concerned with the expenditure levels among the various school districts of the state and the sources of local revenue which supplement the available state aids.

While time was a very compelling factor, each committee and the Task Force as a whole, examined a wealth of material before arriving at any decisions for recommendations. It is only because the individual members of the Task Force were very knowledgeable in the area of schools and school finance however, that permitted this vast amount of material to be digested in the amount of available time.

## DATA COLLECTION AND ANALYSIS

Throughout the course of the study, as many different types of data as possible were made available to the Finance Task Force. In large measure these data were compiled from available Department of Education sources. Where such data did not exist literature surveys were made and in one instance a questionnaire was distributed throughout the state. The following sections will describe some of the data types and sources made available to each of the three committees of the Task Force.

### Education Program and Services Committee

The Program Committee of the Task Force determined that it would react to

the program criteria of the National Education Finance Project. The five criteria include : 1) provide local systems a level of support for an educational program commencerate with the relative financial availability of the state, 2) include provisions for innovation and improvement in instructional programs, 3) include provisions for the identification and evaluation of alternative methods of accomplishing objectives, 4) provide a system for local districts to develop program and financial data which permit accountability to the public, 5) substantially equalize educational opportunity throughout the State.

In defining quality education, the Program Committee acceeded that a quality educational program does not mean the same thing to all persons. A truly quality educational program must therefore be one which is capable of responding to the individual desire and needs. In attempting to be more explicit the education committee relied upon three major studies produced by the Minnesota Department of Education, Education 1967, Criteria Recommendations, and An Assessment of Elementary and Secondary School Services and Needs by Minnesota Planning Regions.

To confirm results of these studies, the Task Force initiated a brief survey of a small sample of Minnesota school districts. This survey tended to support the earlier studies and suggested that, indeed, a great disparity does exist in educational programs among school districts.

While recognizing certain inadequacies, the Program Committee adopted the criterion statements for elementary education and the criterion statements for secondary education in the State of Minnesota as explicated in Education 1967.

The Education Committee expressed support for a true Minnesota Educational Assessment program. In endorsing such an activity the prescribed objectives of the assessment program should be 1) to determine the level of performance of students in this state in the cognitive, affective, and psychomotor domains; 2) to identify the variables which account for the variations in student performance; 3) to report the results of this investigation to educational decision-makers in the Executive and Legislative branches of state government, the State Board of Education, the Department of Education, local school administrators, local school boards and interested citizens of the State providing a guide for the allocation of school resources; and 4) to longitudinally report the extent to which progress is being made in Minnesota schools toward improving student performance within the State of Minnesota.

The Program Committee also expressed considerable concern over the absence of a comprehensive statewide set of goals and objectives. The Committee strongly urged that the Department of Education establish such a set for the Department and that local school districts also be concerned for the development of a comprehensive system of goals and objectives against which an assessment may be performed. This committee also examined efforts at innovative and exemplary programs in school districts throughout the state and made a strong recommendation that these efforts be continued and expanded. The special needs of handicapped children and children in need of vocational education training were also studied in depth and were recommended for extension and expansion.

## Organization Committee

The Organization Committee recognized that the State of Minnesota has been actively engaged in reorganizing school districts for a number of years. While

noting that the state has progressed from well over 7,000 school districts in 1947 to a current 435 districts, the committee challenged the capability of each of the existing school districts to provide a truly comprehensive educational program. The committee observed that no uniform recommendations for school size are found in the literature, but that generally school districts are recommended to have a minimum of 2,000 students with a more optimum figure of 10,000 students. They also noted that a 1967 study in Minnesota recommended a criterion of 10,000 students for a school district with an absolute minimum of 1,500 students in the more sparsely populated areas of the state. A 1968 study by the Board of Education suggested school enrollment of 3,000 students necessary to provide a comprehensive educational program. The Committee also noted that the current range in school size is from approximately 160 students grades K-12 to well over 60,000 students grades K-12 with an approximate state median of about 650 students.

Special presentations were made to the Organization Committee by representatives of special education who described the state system of special education cooperatives. Special note was taken of the fact that many school districts are working together to cooperatively provide those programs for handicapped children which they could not provide individually. Similarly, presentations were made by representatives of vocational education which displayed cooperative efforts among school districts in providing for the vocational educational needs of students.

A 1970 study performed for the Department of Education entitled An Assessment of Elementary and Secondary School Services and Needs by Minnesota Planning Regions was examined by the Committee. This document indicated that there was an increased need for cooperative effort among school districts in many different

areas of the curriculum. The committee examined a Department of Education proposal for establishment of a system of intermediate units which would encompass all areas of the State. Departmental data were made available concerning the number of school districts, the property valuation, per capita income, the number of students, and the types of services that might be required in each of these intermediate unit areas. On the basis of its discussion, the committee defined an intermediate unit, determined the purposes of these units, calculated the need for the units, and delineated the principles involved in their formation. Extensive socio and economic data made available by the State Planning Agency were examined during the course of this deliberation.

Finance Committee

The basic premise for establishing the Finance Task Force was concern for the differential in expenditure and potential for revenue receipts among the State's school districts. As noted in Table 1, a range of $280 to $1,072 in maintenance expenditure existed among school districts in the 1970-71 school year. In that same year, the adjusted assessed property valuation ranged from $26 to $22,822 per pupil unit and personal income ranged from $649 to $24,711 per pupil unit.

The Finance Committee considered these data in arriving at conclusions and recommendations. However, many other factors were also discussed and considered. Costs for categorical programs such as special education and vocational education were reviewed. State responsibility for capital outlay and debt redemption was considered. Special funding for low income areas and central cities incited extensive debate. Transportation, property insurance, adult and community education, and tax delinquencies were all extensively discussed as school finance problem areas.

Undoubtedly the largest bulk of factual data was made available to the Finance Committee. The Department of Education produces an annual report which delineates expenditure factors for each school district in the State. In addition, reports are available which describe the relative wealth of the school district in terms of property valuations. Another report compares the relative tax effort being exerted by each school district. Data on pupil population, total population, expenditures for maintenance, capital outlay, debt redemption, relative valuation behind each pupil unit, and state aids being made available to each school district were noted and made available to the Finance Committee. Additional information was made available by the Bureau of Vital Statistics and the Department of Taxation. Representatives of the Legislature were most helpful in providing additional kinds of financial material concerning personal income by school district as it relates to the comparative property wealth. Thus, the Finance Committee had a broad and rather complete array of statistical data to contemplate in discussing finance in and among the school districts.

## SPECIAL SURVEYS AND STUDIES

At instigation of the Departmental working committee or upon request of the Task Force, special surveys and studies were conducted. Department of Education staff, most notably Dr. Leo Bernat and Dr. Jerome Webster, were particularly pivotal to completion of these activities. Four of these special projects are reported below.

### Survey of Local School Districts

As a result of the 1971 session of the Minnesota State Legislature, the state basically regulates the finances available to school districts. Starting with each school district's own 1970-71 spending on its pupil units, the

state provided levies and aids so that a moderate increase in finances was available to each district to cover increased costs. Hence, districts which operated on a tight budget were locked into tight budgets while those which had some budgetary flexibility were able to exercise discretion in use of the modestly increased finances.

To better ascertain the status of school district finance, a questionnaire and a series of worksheets were sent to each school district in the Spring of 1972. At that time, much of the tax laws impact was unknown and, therefore, resulted in some degree of speculation by school district officials. Nevertheless, the returned data was informational and aided in calculating school district status.

Items on the questionnaire included:

1. Do you expect the 1972-73 public school enrollment in your school district to increase__ decrease___ or remain the same as___ the 1971-72 school enrollment?
2. Will any currently available school or community services or programs in your school district be curtailed during the 1972-73 school year?
3. Were any new services or programs anticipated for your school during the 1972-73 school year in addition to providing for the trainable mentally retarded?
4. What is the impact of the levy limitation provision upon your school district? Decrease___ or increase___ of mills or___ percent in the 1971 (payable in 1972) school property tax levy.
5. Is state foundation aid as allotted under the new tax bill more than adequate___, adequate___, or inadequate___ when combined with local and other resources to support education in your school district?

6. What specific amendments to Chapter 31 (H.F. 262) would you recommend be made by the 1973 Legislature? Cite article and section numbers where proposed amendments would be made.

Results of the survey were included in the final Task Force report and will not be replicated here. However, several generalized conclusions were:

1. Response to the questionnaire was excellent.
2. Three out of four school districts in Minnesota expect enrollments to remain the same or decrease in 1972-73.
3. More school districts in Minnesota plan to add new programs and services in 1972-73 than to curtail them in addition to providing for the trainable mentally retarded.
4. Based on Development Region medians, the typical school district in Minnesota reduced its tax levy for 1972 by 46.0 mills or 23.3 percent.
5. Three out of five school districts in the state expressed the opinion that present foundation aid was inadequate.

## Selected Indicators of Educational Program Quality

Based upon earlier studies, the Program Committee had some perceptions concerning the variation in educational programs among Minnesota school districts. The question of whether there is a correlation between educational quality and school expenditures has been and continues to be of considerable interest to educators, legislators, and other concerned citizens. While recognizing that there is no simplistic resolution of this question, it was decided to compile data on a very limited number of indicators of school quality for ten Minnesota school districts which range from a low of $506 spent per pupil unit in 1970-71 to a high of $1,072. This representation of ten school districts also included a range of enrollment sizes as well as

locations which included the urban area, suburban districts, and various regions of the state.

The initial premise was to investigate in an admittedly hasty fashion the extent to which three types of indicators seemed to be associated with expenditures: (1) teacher experience and degree levels; (2) certificated staff/pupil ratios; and (3) number of secondary (7-12) courses. The availability of reliable data on the first of these indicators proved to be the most problematic. The information was available, but in an untabulated form. Because of this, data on teacher experience and degree levels were compiled for only two small districts and one district located in a medium size city representing the low, middle, and top of the expenditure range. This tabulation also showed the percentage of teachers reported in Minnesota School Boards Association figures to be earning at the maximum level on the salary schedule for the full sample of ten districts. These data were included both because of their easy availability and the seeming likelihood that they might comprise at least a crude indicator of teacher quality between districts.

The second of the three indicators, certificated staff/pupil ratios, was easily available from the Minnesota School Boards Association information for the 1970-71 school year. These data represented both the ratio of teachers to students and the ratio of total certificated staff to pupils for all but one of the ten districts. Additional information included an arithmetic average of these ratios for the state, the three districts with the highest expenditures, the four located in the middle of the range, and the three with the lowest expenditures.

Data concerning the number of secondary (grades 7-12) courses in the school

program were compiled both through hand tabulations and by phone requests to the largest districts. Generally, it would appear that these are the most error-laden data included in the study because the total figure for each district had to be hand tabulated from separate sheets for each teacher, which involved the possibility that sections of the same course might be tabulated as separate courses. At best, there was hope that the error was randomly distributed among these districts and, therefore, that the relationships between districts was represented with reasonable accuracy.

Because of the data gathering techniques employed and the admittedly non-valid statistical sampling of school districts, results of this study were not reproduced in the final study report. However, generalized results of the study include:

1. It would appear that there is not a systematic relationship between experience and training as an indicator of teacher, and presumably educational, quality with district per pupil expenditures. Data in the study indicate that whether or not a district employs persons trained above the four-year level appears to be more related to its enrollment size than to its expenditure level. Dependent upon how significant the percentage points on this type of measure are, it might be concluded that districts in the lowest range of expenditures have more difficulty in retaining teachers, and therefore lower quality of education, than districts in the middle and top ranges of the scale.

2. The second factor, pupil/staff ratios, provides the most consistent relationship with district expenditure levels. The ratio of teachers to students averaged for the three highest spending districts is 1/17.4. This increases to 1/21.0 for the four districts spending in the middle

of the range and, further, to a 1/22.9 for the three lowest spending districts. When other instructional personnel and administrators are included in the averaging, this pattern seems to continue, but with a somewhat reduced difference between the bottom and middle spending districts and a somewhat enlarged difference between the average for the top spending group and the middle group. In short, there appears to be some consistency in the relationship between level of spending and reduced teacher and staff-pupil ratios.

3. It appeared obvious from the study that course offerings had a direct relationship to enrollment and little or no relationship to expenditure level.

## Questionnaire to Task Force Members

By conclusion of the May meeting of the Task Force, many of the major issues to be considered had been identified. With authorization and approval of the Executive Committee, Department of Education staff prepared a survey questionnaire for administration to Task Force members. This questionnaire was mailed in early June for return by mid-June. Ultimately, results of this survey formed the basis for a two-day meeting of the Task Force.

The survey questionnaire contained 50 questions each dealing with a specific issue. The survey was divided into two parts (1) 40 questions dealing with the ultimate or long-range program and (2) 10 questions dealing with an interim or short-range response to the school finance program. Questions concerned specific details of a proposed foundation aid program, overburden aid, teacher salaries, need and effort as bases for aid payment to school districts, school district organization and cooperation, property taxes, special aids, etc.

Results of the survey were compiled and returned to the Task Force. At the June meeting, each question was discussed in detail and members were re-polled. As a result of this process, the issues became more clear in the minds of Task Force members and direction was given to the drafting of recommendations.

Ultimately, this questionnaire formed the basis for the sample legislation drafted by Department staff. Final study recommendations were also formulated through this process.

## Formulation of an Educational Finance Program

In formulating an educational financing program for the State of Minnesota, several alternative approaches could be used. Perhaps most desirably, the Task Force would start from basic principles and an array of facts and would construct an appropriate financing legislative package. However, time constraints did not appear sufficiently flexible so as to permit this approach. As a second alternative, a question-and-answer approach could have been developed which would permit technicians of the Department of Education to formulate a financing plan, adjustable to the current law, embracing the Task Force's position.

A third alternative would have Department of Education staff prepare a proposal for the Task Force which could be disassembled, modified, and reconstructed. This alternative was pursued and Department staff did prepare a sample educational finance program which was presented to the Task Force. This position paper contained four major sections:

1. General policies. Included was discussion of equality of educational opportunity, breadth of educational program, school organization required

to deliver the program, educational cost allowances, and the general finance formula.

2. Foundation aid formula. Included was delineation of the major factors to be considered in providing state funds for maintenance as well as special categorical costs.

3. Local tax levies. Included was description of the impact of tax levies and taxing limitations upon the school districts capability to support the educational program.

4. Cost considerations. Included brief reference to the total costs associated with various components of education.

This paper brought to the fore many of the issues which confronted the Task Force in its study. Many of these issues had been identified in the Task Force questionnaire and ultimately became part of the final study recommendations.

## Studies by Task Force Members

Generally the data utilized by the three committees were compiled and collated by members of the Department of Education. In a few instances, however, individual members of the committee gathered material that was available to them through their various offices. In nearly all cases, multiple copies were made for broad distribution throughout the Task Force. In general, the problem faced by the Task Force was not one of too little material, but one of too much material having to be digested in too short a period of time.

It is of some general interest to note several areas in which members of the Task Force took it upon themselves to perform individual data analyses. For

example, two Task Force members were particularly concerned about the capital outlay provisions contained in the existing state aid formulas. They prepared for dissemination to the Task Force an analysis of the impact of the capital outlay provisions upon several selected school districts in Minnesota. Likewise the matter of special aids for inner cities was of particular concern to selected members of the Task Force. These persons made extensive analyses of the effect and impact of the AFDC funds which were directed primarily to the inner city schools. As will be noted, the 1973 legislature made a major change in the distribution of AFDC aids. In part this change might be attributed to actions of these members of the Finance Task Force.

At least one member of the Finance Task Force was particularly interested in the power equalizing concept. As such, he made an extensive analysis and report for the Finance Committee and the Task Force. While this concept was not included in the final report endorsed by the Finance Task Force, it does represent an instance of individual effort on the part of Task Force members.

Other areas of individual interest to Task Force members which were given as a charge for special study by the Department Committee included transportation costs, school lunch costs, special education reimbursements, vocational education reimbursements, and insurance programs for the public schools of the State. Each of these topics ultimately became the subject of recommendations in the final Task Force report.

## DATA CATALOG

As the volume of material prepared and distributed to the Finance Task Force grew, the need for a data catalog became increasingly evident. In response to this need, two catalogs were prepared. The first was delivered to the Task Force at its June meeting. This catalog identified all of the documents

which had been distributed to that date. Each item was listed by name with some reference to the committee with which it might most closely associate. No further elaboration was made upon the paper in this catalog but additional copies of any item was made available to Task Force members upon request.

The second catalog was primarily a delineation of available financial data that had been assembled for use by Judge Miles Lord (the Federal Circuit Court judge hearing the Minnesota school finance cases) and for the Urban Institute. This catalog identified 15 worksheets which had been prepared by Department staff. The type of data contained on each worksheet was identified and comments were recorded to aid in interpretation. Each of the 15 worksheets contained data for each of the then 438 school districts as well as statewide totals. Topics on the worksheets were:

1. Enrollments for kindergarten, elementary, secondary, and school district total.
2. Pupil units in average daily attendance.
3. Resident pupil units in average daily membership.
4. Adjusted assessed (equalized) valuation of property.
5. Adjusted maintenance costs per pupil unit, state foundation aid earned, and total expenditures per pupil unit.
6. Special categorical aids received (exempt property, homestead, agricultural, handicapped, vocational, transportation, school lunch, etc.).
7. Special aids continued (continuing education, summer school, shared time, emergency, mobile home, etc.)
8. Special aids continued (post-secondary, research, additional foundation, gross earnings, tax exempt, gross earnings, taconite, declining valuation, etc.).

9. Auditor's assessed valuation of property and the ratio of assessed valuation to adjusted (equalized) valuation.
10. Total tax levies in mills (both on auditor's assessed and adjusted assessed).
11. Estimated foundation aid earned and aid per pupil in ADM.
12. Expenditures for administration, instructional salaries by categories, and non-public school employment.
13. Expenditures for vocational salaries, total instruction, health and attendance services, transportation, plant operation, plant maintenance, and employee retirement.
14. Expenditures for other fixed charges, total current expense, summer school, and adult education.
15. Expenditures for adult education, community services, capital outlay, debt services, teacher retirement, and social security.

Not all of these data were copied and distributed to each member of the Task Force. However, worksheet number 5 was generally distributed and the chairman did receive one complete copy of all data. Additional copies were available for use by Task Force members upon request.

## REPORTAGE OF THE SCHOOL FINANCE STUDY

As one provision in establishment of the School Finance Task Force, periodic progress reports and a final study report were required. Members of the Task Force were requested to participate to the extent practical and possible in this reportage.

### Progress Reports

Special progress reports were given to the State Board of Education in

July, October, November, and December of 1972. A final study report was delivered in January 1973 and discussed with the State Board. Also in January, the report was presented to the education committees of both the House and Senate of the Minnesota State Legislature.

In July, the Task Force chairman recited progress to that date and delineated the major issues under consideration. In a special memorandum, 12 problem areas were recounted along with the special concerns of the Task Force. While not recommendations, these identified concerns were stated in a positive manner such that action could have been taken by the State Board if it so desired.

By October, the Task Force had prepared a series of preliminary recommendations. While yet in rough form and lacking in great specificity, these recommendations reflected thoughts of the three committees. Four recommendations were presented in the area of educational program, four in the area of school organization, and nine in the area of school finance. These recommendations were commented upon by the State Board of Education and accepted as preliminary reportage.

In November, twelve additional preliminary recommendations in the area of school finance were discussed with the State Board of Education. The Task Force agreed to include in the final report a brief rationale and a determination of cost for full implementation of each recommendation.

At the December State Board meeting, the Task Force chairman presented a refined version of the Task Force recommendations. No cost implications were attached but the 27 presented recommendations were in near final form. Following commentary by members of the State Board, these recommendations were taken back for final action by the Task Force.

## The Study Report

Throughout course of the study, Department of Education staff were responsible for gathering and assessing data and for drafting preliminary study content. As problem areas were identified narrative material was produced to reflect specific concerns. Beginning in August, preliminary drafts of potential sections of the study report were transmitted to the Task Force for review. These sections were scrutinized for applicability to the evolving recommendations and were edited as necessary.

By the first December meeting of the Task Force, all sections of background narrative and detail for each recommendation had been prepared. The Task Force agreed upon the order of presentation in the study report and the procedures to be followed. Each Task Force member was given opportunity to question or comment upon any of the documentation and to challenge any of the study assertions.

At the second December meeting, final copy of the study report was available. Inclusion, exclusion, or amendment were determined by majority vote of the Task Force. When it was determined that individual Task Force members remained in strong dissent, provision was made for incorporating dissenting opinion into the report.

Because the report was intended for broad distribution to a widely varying readership, it was designed to be as non-technical as possible. By summarizing the report and then presenting the recommendations, a more casual reader might glean some insight into the problem of school finance and be aware of means for amelioration. The more insightful reader might peruse the appendix to gain additional backgrounding. In any event, the report does not contain extensive statistical data since these were to be produced by the concurrent Urban Institute study.

The study report included the following sections:

I. INTRODUCTION

This section cited incidents leading to establishment of the School Finance Task Force, membership in the Task Force and the Department of Education Committee, criteria employed in the study, and organization of the report.

II. RECOMMENDATIONS

Five recommendations in the area of educational program, four in the area of organization, and nineteen in the area of school finance are contained in this section. For each recommendation, a brief statement of explanation and a cost implication has been provided. Dissenting opinions of individual Task Force members are included and cross-referenced to the specific recommendation.

III. STUDY SUMMARY AND FINDINGS

A very brief summary has been included in the report which identifies the major issues encompassed in the report.

IV. APPENDIX

More detailed background information requisite to the study are described in the appendix.

A. Educational programs and services

The goal of quality education, previous studies of educational program and services, the state assessment program, and desired program criteria are described in some detail.

B. Organization

The number and size of local school districts in Minnesota, the existing cooperative programs shared by school districts, and

the intermediate school district concept are described.

C. The courts and public school finance

A recitation of public school finance court cases both in other states and in Minnesota and the implications of these cases is included.

D. School financial support in Minnesota

This section presents a historical synopsis of state foundation and categorical financial support for the public schools. The 1971 foundation aid program and the results of a questionnaire survey to determine impact of that program are described in detail.

E. Financing special programs

Such categorical programs as capital outlay, school buildings, debt service, transportation, special education, and vocational technical education are discussed and assessed.

F. Financial variables among school districts

Data relative to school districts inclusive of enrollments, expenditures per pupil unit, property valuations and impact of the 1971 law are summarized and presented on a regional and state-wide basis.

G. Alternatives to Public School Finance

Types of state aid programs and alternative models of school aid programs as compiled by John Coons and summarized by the Education Commission of the States are displayed.

The final report was printed and presented to the State Board of Education on January 8, 1973. The Task Force chairman was assisted by the three committee chairmen and Department staff in this presentation. On January

15 and 16, 1973, special reports were presented to the Senate and House education committees of the Minnesota Legislature. Upon conclusion of this reportage, multiple copies of the report were reproduced and distributed throughout Minnesota and the nation.

## ASSESSMENT OF THE FINANCE TASK FORCE STUDY

An unbiased assessment of the study report by one of the prime authors is a perilous expectation at best. If no other comment were made, however, it should be noted that the Task Force membership was composed of persons of high respect, regard, and expertise from throughout the State of Minnesota. These persons gave unstintly of their time. They were exceptionally diligent in attending the meetings of the Task Force and in preparing beforehand for those meetings. In combination with the Department Committee, it is to be felt that much of the best possible expertise concerning school finance in the entire State of Minnesota was attendant in this study report.

## LIMITATIONS OF THE STUDY

As has been previously noted, the Task Force did not hold its initial meeting until March 30, 1972. In effect therefore, only a 9-month period remained between the time the Task Force first convened and the initial meeting of the 1973 Minnesota Legislature. While the charge to the Task Force was clear, the expectation was monumental. From the beginning it was felt that the report of the Finance Task Force would not impact significantly upon the 1973 Legislature. Rather, it was to be hoped that some of the basic problems might be presented for study by the Legislature and taken under consideration for future sessions. As has been noted, the Task Force prepared tentative and preliminary reports of the recommendations which were ultimately to be contained in the final report. It was not, however, until the second week in January that the official report was delivered to the State Board of Education. This reportage was followed by formal presentations to the education committees of both the House and Senate of the State Legislature.

This writer does not believe it fair to claim a great impact in the 1973 Legislature as a result of the report of the Finance Task Force. It is notable, however, that the 1973 Legislature did act upon many of the same items that were given considerable consideration by the Task Force. As specific examples, a major effort was made by this legislative session to equalize the amounts of money available per pupil in school districts throughout the state. A very major change was made in the reimbursement for transportation of pupils going to and from school. Aid to the inner cities in the form of a marked increase in AFDC aids was recorded in the 1973 Legislative session. Special education reimbursements were significantly increased as a result of the 1973 session action. And for the first time, an intermediate unit was established and funded by the Minnesota Legislature.

## APPRAISAL OF PROCEDURES

By its very composition, some of the finest minds in the state concerning school finance were represented in the Task Force. The Commissioner of Education assured that Department of Education expertise would be available to the Task Force by establishing a 10 member working committee. Thus, the Task Force had representation from throughout the state and from persons who were knowledgeable of special and specific areas of educational finance.

Early in its deliberation, the Task Force concluded that time would not permit the luxury of presentations by expertise from outside the State of Minnesota. Therefore, the Task Force concentrated upon data that was on hand or that could be obtained by the Department of Education. Members of the Task Force and members of the Department working committee, were permitted to make presentations concerning those areas in which they had interest. All materials

presented in support of these discussions were examined by the Task Force. Ultimately, the decision to include or exclude a discussion of a specific topic was made by concensus opinion of the Task Force.

Of critical significance was the formation of the Executive Committee composed of the three committee chairmen and the Task Force chairman. This small group was able to meet periodically and informally to assess the progress of the various committees and to determine the agenda for the Task Force committee meetings.

By dividing the Task Force into three smaller committees, more intensive study could be made of specific facets of education. While all portions of education were found to be intertwined, these committees were able to examine in more depth and detail specific elements that related to the education in Minnesota. These committees, through the chairman, were able to report back to the Task Force the most significant results of the individual committee meetings. Department of Education staff were invited to attend the committee meetings and to make presentations as appropriate.

The only major criticism that could be levied against this procedure in the mind of this writer is that the entire Task Force, the entire study, was rather provincial in nature. While we did discuss the possibility of bringing in persons from outside the State of Minnesota who had knowledge and expertise, the decision was made that time would not permit. Thus, we relied rather heavily upon persons who had knowledge of and experience in the State of Minnesota.

The value of the data presented to the Finance Task Force cannot be overstated. It would be fair to suggest, however, that in the time made available to the Task Force, not all of these data could be adequately analyzed and digested. Some items of data were studied only very briefly but, as a general

rule, each piece of data was given intensive scrutiny and was considered prior to the preparation of the final report.

One major disappointment was the absence of the final Urban Institute report during course of the Finance Task Force deliberations. However, because Department of Education personnel were involved in gathering data for the Urban Institute report, much of this preliminary material was made available to the Task Force. Since the Urban Institute report has now been delivered, and because the data are filed in a computer data bank, these materials are available for any future or continuing study.

## CONTINUING ROLE OF THE TASK FORCE

Although the final report has been delivered and the 1973 Legislature has concluded its session, we do not feel that the role of the Finance Task Force is complete. The Commissioner of Education has indicated that he wishes to retain this body and to convene the Task Force periodically to continue to examine critical issues facing financing of education in Minnesota. It is felt that the Finance Task Force, in such meetings, will concentrate upon specific issues that face identifiable elements of education. Thus, for example, one entire study session may be devoted to special education and any continuing needs in this area. At a second such session, vocational education may be the topic under discussion. Many other issues yet confront education in Minnesota. Among these are; 1) continued equalization of expenditures and educational opportunity among school districts of the state, 2) specific problems of inner city schools within the larger cities of the state, 3) sources of revenue from which to support the educational programs of the state, and 4) continued support of the intermediate unit concept and cooperative efforts among school districts.

In the opinion of this writer, the Finance Task Force study would have to be considered as a successful effort. Initially, it brought together many persons who are very knowledgeable on school finance in Minnesota, and permitted them to have direct exchange concerning the varying problems facing our state. Secondly, it produced a report which was distributed broadly and may possibly have had impact upon the thinking of many persons from throughout the state. The major failure of the study report would undoubtedly be that of the time component. Because the report could not be delivered to the State Board of Education until January, the full impact upon the Legislature was undoubtedly minimized.

This writer would see the need for meetings of groups such as this in our state and in any state. It is only through the concensus of agreement of such a vast array of expertise that the real problems confronting education today can be pinpointed, described, and a proposal for remediation elaborated. I would feel that the Finance Task Force has performed a real service but that this service would be limited if the Task Force did not continue a series of meetings which were aimed at resolution of specific and identifiable problems.

## DATA LIMITATIONS

Special surveys and studies were conducted on behest of the Task Force as has been described. The fact that such activities did occur, however, points out one problem confronting the study - necessary or desirable data were not always readily available. Department of Education staff furnished copies of those pertinent reports and documents which were regularly produced but some frustration was experienced when other topics could not be studied due to lack of relevant data. Notable omissions generally centered about three areas:

1. Comprehensive and conclusive research, either state or national, has not been conducted on several areas relating to program quality. Among these problem areas are:
   A. Universally accepted indicators of program quality have not been established. Failing these measures, program quality cannot be compared among school districts.
   B. No real agreement exists as to the relationship between per pupil expenditures and program quality.
   C. Teacher training and experience have not been fully related to program quality.
   D. Class size and mode of instruction as related to program quality have been debated for years but to no real degree of resolution.
   E. School or school district size and program quality have not been conclusively correlated.
2. Access to, and availability of, data at the state and school district levels is often fragmentary, inaccurate, or inaccessible.
   A. State education agencies have been collecting data concerning local school districts for years. Frequently, the criterion for selection of data collection items has been historical precedent. Thus, data dissemination is limited to that which is readily available.
   B. On occasions, data reported by local school districts contain errors. Unless caught by a wary eye, these data become part of the collection system and are duly reported and utilized by varying individuals and agencies.
   C. Human error in collection, compilation, and retrieval may interfer with the accuracy of reported data.

D. While many aspects of school finance are computerized, many others are not. Therefore, data collection often became a time consuming, laborious process beset with delays in reporting.

E. Because only a handful of Minnesota school districts have an operational programmed budgeting system, the finance committee was unable to ascertain the real cost for educating a child in a specific school or to truly determine the cost of an identifiable program in a building or school district.

F. The real cost of a categorically funded program (such as vocational or special education) on a district by district basis as related to state or federal reimbursement is not fully known. The need for these data has subsequently stimulated a currently on-going cost analysis study in vocational education.

3. Perhaps the major study limitation was that of resource personnel. Existing Department of Education staff were required to take time from on-going activities to support the study. This normally means that data collection is limited to that which can be readily produced from available sources. In this study, an extensive array of financial data was collected for the court and the Urban Institute. However, additional data concerning program and financial impact upon school districts could not be generated. This failure may have been a delimiting factor to the study.

## ANALOG - THE 1973 MINNESOTA LEGISLATIVE SESSION

At the time of this writing, the 1973 Minnesota Legislature had concluded its deliberations but the total effect of the legislation passed had not been fully analyzed. However, from a review of the legislation it becomes apparent that this session of the State Legislature did treat many of the areas that were of great concern to the Finance Task Force. Several of these areas will be reviewed briefly in the following section.

### THE FOUNDATION AID FORMULA

In his budget message, the Governor of Minnesota expressed great concern for increasing the level of state support for public schools of Minnesota. Simultaneously he expressed a need for reducing the reliance upon the property tax as a source of revenue for the public schools. Following this lead, the 1973 Legislature adopted a legislative package which built upon action of the 1971 Legislature and escalated the fiscal equalizing process.

For the 1973-74 school year, a school district may receive in foundation aid $788 per pupil unit less the amount raised locally by 30 mills times the 1971 adjusted assessed valuation of property in the school district. For the 1974-75 school year the district may receive a foundation aid amount equal to $820 per pupil unit less 30 mills times the 1972 adjusted assessed valuation of the district.

In each instance, a rider was appended to the legislation which would provide additional funds for the low spending school districts and would tend to raise the expenditure level of these districts closer to the mean for the state. The 1973 Legislation provided that the 1970-71 maintenance expenditure per pupil unit should be computed for each school district. For the

1972-73 school year this expenditure was uniformly increased by $87 in determining entitlements. For the 1973-74 year, this expenditure is again increased by $38. However, if the district had an adjusted maintenance expenditure per pupil unit of less than $663 in 1971-72 (the so-called low-expenditure districts), the district is allowed to increase its expenditure for 1973-74 by one-sixth of the difference between its 1972-73 expenditure and $788 if this difference is more than $38. For 1974-75, an additional $32 expenditure is permitted and the low-expenditure districts will have the option of taking one-third of the difference between the 1973-74 expenditure figure allowed and $820 if that increase is greater than $32. The permitted cost divided by $788 is used as a multiplier to reduce foundation aid entitlement. Both foundation aid and levy entitlements are reduced proportionately for the low-expenditure districts..

Each school district is permitted to make a levy of 30 mills times the FARC valuation applicable for that year in the foundation aid program. If the district is a low-expenditure district, it must reduce its basic levy proportionate to the reduction made in the foundation levy indicated above. If the district is a high-expenditure district, it is entitled to make an excess levy. The basic levy and the foundation aid formula provide the maximum foundation amount for each pupil in the district ($788 for 1973-74, $820 for 1974-75). Subtracting this maximum foundation amount from the permitted cost yields the amount of excess levy that can be made for each pupil unit.

As an example, if a district spent $850 per pupil unit in 1970-71, it would be permitted a cost of $975 in 1973-74, that is $850 + $87 + $38. $788 would be provided for each pupil unit from foundation aid and the basic levy. The final $187 per pupil unit (less a minor adjustment for aid to handicapped children in 1970-71) would be permitted as an excess levy in 1973-74.

With this action, the Legislature reaffirmed its intent to raise the level of low spending school districts and to make the financial support of public education a more predominant responsibility of the State.

## SPECIAL CATEGORICAL AIDS AND TAX LEVY ADJUSTMENTS

In addition to alterations in the foundation aid program, the 1973 Legislature acted upon several special, categorical programs. Following is a brief synopsis of several of these special programs:

1. The 1971 Legislature recognized that overburden exists in school districts which have high concentrations of children from low income families and from broken homes. To assist with their added cost of education, children from AFDC families were weighted an additional 0.5 pupil unit and aids were paid accordingly. After two years' experience with this factor, it was realized that additional costs were incurred where there were concentrations of such overburden. Hence, when the concentration of AFDC pupils exceed a certain percentage of elementary and secondary pupil units, the 1973 Legislature authorized that additional pupil units be counted:

   Over 10%, 0.35 pupil units for each AFDC child

   Over 8%, 0.2 pupil units for each AFDC child

   Over 5%, 0.1 pupil units for each AFDC child

2. The Legislature expressed considerable concern for the care and education of handicapped children. Most notable among new Legislation were improvements in provisions for the education of institutionalized children and for the transportation of the handicapped pupils. Where school districts maintained programs for handicapped children, state reimbursement for

essential certificated personnel was increased from $5300 per teacher to $5600 per teacher. Transportation cost limitations for the handicapped have been removed and are now consistent with the new transportation legislation.

3. The financing of transportation costs were equalized by the 1973 legislation. The costs of authorized transportation in terms of direct property tax was adjusted such that the levy for transportation is the same in all school districts of the state. Beginning with the 1973 tax levy, collected in 1974 for use during the 1974-75 school year, each school district will be required to levy up to one adjusted assessed valuation mill to finance transportation costs. The state will then reimburse any differential between actual cost and the funds accruing from the tax levy. As a control the legislation provides that transportation costs per pupil unit may not increase by more than 10 percent over those of the 1972-73 base year. Minneapolis and St. Paul were excepted from this law and continue on the old reimbursement plan.

4. In order to equalize expenditure for capital improvements to school districts, the Legislature has provided that each district may levy an amount which provides up to $65 per pupil unit but not to exceed 10 EARC mills in total. If a district has been taxing above that amount, it is required to reduce its levies. If it is taxing below that amount, it may increase its levies up to 2 EARC mills a year or it may increase its levies up to 3 EARC mills a year if it is fast growing (at least 4% pupil unit growth) in order to provide additional income for capital start-up costs.

5. A pilot intermediate unit was authorized for Southwestern Minnesota and an annual appropriation of $50,000 was approved.

The 1973 Legislature also enacted several other items for special purposes. Among these are (1) community schools, (2) alleviation of school district operating debt, (3) emergency aid, and (4) in lieu tax aids. In consort with revisions in the foundation aid program, these categorical actions continue to elaborate upon increased state support and state control of the financing for the public schools.

## GLOSSARY OF TERMS

1. Adjusted Assessed Valuation - There is a wide variation in property assessment practices among the state's 87 counties. Since the value of property in a school district determines the amount of state foundation aid to be received, the Equalization Aid Review Committee (EARC) has been established to compute an "equalized" or comparable assessed valuation from county to county and school district to school district. This valuation, which is used exclusively for school aid purposes, is known as the "EARC valuation" or "adjusted assessed valuation." It is equal to approximately one-third of the market value of property.

2. Adjusted Assessed Valuation Mill - The equivalent of a one mill tax on the adjusted assessed valuation of all property in the school district.

3. AFDC Aid - Beginning in 1971, additional state foundation aid is paid to each school district for educational overburden "caused by broken homes, poverty, and low income." Although such aid is measured by the

number of children from AFDC families, it is paid to the district without requiring the revenue to be spent on the pupils from AFDC families. As of 1973, additional aid is to be paid where higher concentrations of AFDC children occur. Furthermore, the last legislature encouraged districts to spend most of these overburden aids on children in kindergarten through grade three.

4. Capital Outlay - Capital outlay expenditures are those for such items as new construction of facilities, remodeling, or new equipment.

5. Categorical Aids - Foundation aid is the primary source of general state financial support for the public schools. However, the state also provides categorical aids which are specifically earmarked for special programs or special groups of children. Examples include state aids for special (handicapped) education, vocational education, transportation, school lunch, etc.

6. Debt Redemption - Expenditures for the redemption of bonded indebtedness and/or for interest on bonded indebtedness are termed debt redemption.

7. Equalization Aid Review Committee (EARC) - The Equalization Aid Review Committee is a Legislatively created group composed of the commissioners of three state agencies - Administration, Education, and Taxation. The purpose of this committee is to calculate the adjusted assessed valuation of property in each governmental unit.

8. EARC Valuation - Synonymous with adjusted assessed valuation as determined by the EARC.

9. EARC Mill - Synonymous with adjusted assessed valuation mill.

10. Foundation Aid - The program of foundation aid is the principal method by which schools are financially supported by the state. As of 1971, foundation aid replaced the local property tax as the largest source of school income.

The foundation aid formula does several things. It sets the level of basic financing from state and local sources - in Minnesota, the formula assists in providing up to an average cost educational offering. Previously, it only helped finance a minimal education.

The second major effect of the foundation aid formula is to "equalize" or compensate for the difference in property wealth among districts. The richer the school district, the less it gets per pupil; the poorer the district, the more it gets.

11. Maintenance Costs and Adjusted Maintenance Costs - The "maintenance cost" of a school district is simply the cost of operating that district's school program. It does not include costs of buildings, fixtures, or paying off bonded debt.

Among the districts, there is considerable variation in expenditures for transportation. Hence, to make costs measured more comparable, cost of transportation as well as any cash receipts such as from sale of school lunches or materials are deducted in arriving at "adjusted maintenance cost."

Since the state cannot consider Federal aids when computing state aid for school districts and since the Federal aids are usually directed

toward support of specific programs and not toward broad educational needs, "state and local adjusted maintenance costs" have been adopted as the basis for state financing of public education, and state and local adjusted maintenance cost per pupil unit served are used in the laws to determine a school district's levy and foundation aid entitlements.

12. Maintenance Expenditure - Maintenance expenditure is often used synonymously with maintenance cost.

13. Mill - A mill is 1/10 of one cent tax on every dollar of the assessed value of taxable property.

14. Pupil Unit - Because the costs of educating pupils differ at different grade levels, pupils are "weighted" according to the relative costs of providing an education. Using elementary children as a reference, the weightings are:

    0.5 - kindergarten pupils or prekindergarten handicapped pupils

    1.0 - elementary pupils in either the six or eight year elementary programs.

    1.4 - middle school pupils in grades 7-9.

    1.4 - secondary school pupils

    1.5 - post-secondary area vocational technical school pupils.

With the use of the above weightings, pupils are converted to pupil units which compensate for varying costs of different levels of instruction.